

BANK INDONESIA REGULATION
NUMBER: 6/24/PBI/2004
CONCERNING
COMMERCIAL BANKS CONDUCTING BUSINESS
BASED ON SHARIA PRINCIPLES

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas in face of the rapid changes and growing challenges in the national economy and the ongoing integration into the international economy, it is necessary to have a strong, robust national banking system;
 - b. whereas to promote the creation of a strong, robust, and efficient national banking system, it is essential to have a comprehensive, clear regulatory framework providing legal certainty for the activities of banking institutions;
 - c. whereas it is necessary to introduce improvements to the provisions now in force concerning Commercial Banks Conducting Business Based on Sharia Principles to promote expansion of office networks conducting Business Based on Sharia Principles;
 - d. now therefore it is deemed necessary to enact improved provisions concerning Commercial Banks Conducting Business Based on Sharia Principles in a Bank Indonesia Regulation;

In view of ...

- In view of:
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472), as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
 2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED:

To enact: THE BANK INDONESIA REGULATION CONCERNING COMMERCIAL BANKS BASED ON SHARIA PRINCIPLES.

CHAPTER I
GENERAL PROVISIONS

Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. “Bank” ...

1. “Bank” is a Commercial Bank as defined in Article 1 number 3 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, conducting business based on sharia principles;
2. “Business Based on Sharia Principles” is banking business conducted on the basis of sharia principles as referred to in Article 1 number 13 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998;
3. “Branch Office” is a Bank office directly responsible to the head office of the Bank concerned, in which the Branch Office conducts business at a permanent address;
4. “Office under A Branch Office” is a Sub-Branch Office, Sharia Services Unit, or Cash Unit operating in support of its supervising Office;
5. “Sub-Branch Office” is a Sub-Branch Office/Unit whose business operations are conducted in support of its supervising Branch Office;
6. “Sharia Services Unit” is a Bank office at the level of Sub-Branch Office whose business operations are conducted in support of the supervising Branch Office, located outside the provincial capitals of Bogor, Depok, Tangerang, and Bekasi;
7. “Cash Unit” is a Sub-Branch Office/Unit whose business is conducted in support of its supervising Office, except in the channeling of funds;
8. “Outdoor Cash Unit” is a unit providing cash services to existing Bank customers, including but not limited to:
 - a. Mobile Cash or Floating Cash Unit, namely cash activities using land or water transportation;
 - b. Payment Point, namely an activity for certain payment and deposit transactions, including but not limited to payment of salaries and receipt

of electricity ...

of electricity bill and telephone bill payments, in which the Bank cooperates with other parties who are customers of the Bank;

- c. Automatic Teller Machine (ATM), namely an electronic cash service operating as a convenience for customers, among others for cash withdrawals or deposits or payments by bookkeeping transfer and to obtain information on the account balance and account entries of the customer, and includes the opening of ATM networks operated by use of technology in cooperation with other banks;
- 9. “National Sharia Council” is a council established by the Indonesian Ulama Council (MUI), charged with the task of and empowered to issue fatwas concerning products and services in the business of banks conducting Business Based on Sharia Principles;
 - 10. “Sharia Supervisory Board” is a board performing the supervision of sharia principles in the business of a Bank;
 - 11. “Board of Directors”:
 - a. for a Bank incorporated as a Limited Liability Company, is board of directors as referred to in Article 1 paragraph 4 of Act Number 1 of 1995 concerning Limited Liability Companies;
 - b. for a Bank incorporated as a Regional Government Enterprise, is board of directors as referred to in Article 11 of Act Number 5 of 1962 concerning Regional Government Enterprises;
 - c. for a Bank incorporated as a Cooperative, is management board as referred to in Article 29 of Act Number 25 of 1992 concerning Cooperatives.

12. ‘Board of ...

12. “Board of Commissioners”:
 - a. for a Bank incorporated as a Limited Liability Company, is board of commissioners as referred to in Article 1 paragraph 5 of Act Number 1 of 1995 concerning Limited Liability Companies;
 - b. for a Bank incorporated as a Regional Government Enterprise, is board of commissioners as referred to in Article 19 of Act Number 5 of 1962 concerning Regional Government Enterprises;
 - c. for a Bank incorporated as a Cooperative, is supervisory board as referred to in Article 38 of Act Number 25 of 1992 concerning Cooperatives.
13. “Executive Officer” is an officer exerting influence on the policy and operations of a Bank or company, and/or directly responsible to the Board of Directors, including but not limited to a Branch Office manager;
14. “Controlling Shareholder” is a legal entity and/or natural person and/or business group that:
 - a. owns shares in a Bank at 25% (twenty-five percent) or more of total shares issued by the Bank with voting rights; or
 - b. owns shares in a Bank at less than 25% (twenty-five percent) of total shares issued by the Bank with voting rights, but can be proven to exercise control of the Bank, whether directly or indirectly.

Article 2

A Bank may be legally incorporated as a:

- a. Limited Liability Company;
- b. Cooperative; or
- c. Regional Government Enterprise.

CHAPTER II

LICENSING

Part One

Establishment of Banks

Article 3

- (1) A Bank may only be established with a license from Bank Indonesia.
- (2) A license as referred to in paragraph (1) shall be issued in two stages:
 - a. approval in principle, namely approval to conduct preparations for establishment of the Bank;
 - b. operating license, meaning a license issued to conduct business as a Bank after the completion of the preparations referred to in letter a.

Article 4

The paid up capital for establishment of a Bank is stipulated at no less than Rp 3,000,000,000,000.00 (three trillion rupiahs).

Article 5

- (1) A Bank may only be established by:
 - a. Indonesian citizens and/or an Indonesian legal entity; or
 - b. Indonesian citizens and/or an Indonesian legal entity in partnership with foreign citizens and/or a foreign legal entity.
- (2) Ownership by foreign citizens and/or foreign legal entity as referred to in paragraph (1) letter b shall not exceed 99% (ninety-nine percent) of the paid up capital of the Bank.

Part Two ...

Part Two

Approval in Principle

Article 6

- (1) Application for approval in principle as referred to in Article 3 paragraph (2) letter a shall be submitted by at least one of the proposed owners to the Governor of Bank Indonesia, enclosing the following:
- a. draft deed of incorporation, including draft articles of association, stating at least the following:
 - 1. name and domicile;
 - 2. scope of business as a Bank;
 - 3. capital;
 - 4. ownership;
 - 5. powers, responsibilities, and tenure of the Board of Commissioners and Board of Directors;
 - 6. placement and duties of the Sharia Supervisory Board;
 - b. ownership data as follows:
 - 1. list of proposed shareholders and details of each individual shareholding, for a Bank incorporated as a Limited Liability Company/Regional Government Enterprise;
 - 2. list of proposed members and details of principal savings and mandatory savings and list of endowments, for a Bank incorporated as a Cooperative.
 - c. list of candidates for the Board of Directors, Board of Commissioners, and Sharia Supervisory Board, enclosing for each:
 - 1. 4 x 6 cm passport photograph taken within the last 1 (one) month;
 - 2. photocopy ...

2. photocopy of identification, whether Identity Card (KTP) or passport;
3. curriculum vitae;
4. specimen signature and initials;
5. photocopy of Temporary Residency Permit Card (KIMS) and photocopy of work permit from the competent authorities, for any foreign citizen.
6. personal statement that the candidate has never committed any disgraceful acts in banking, financial, or other business and has never been convicted of a felony, and is not under imposition of sanctions barring the candidate from serving on the management of a bank as stipulated in the provisions concerning the Fit and Proper Test stipulated by Bank Indonesia;
7. personal statement declaring that the person concerned has never been declared bankrupt and never been a shareholder or member of the Board of Directors or Board of Commissioners found at fault in causing a company to be declared bankrupt on the basis of a court decision during the period of 5 (five) years preceding the date of application; and
8. statement or written evidence from the former place of employment regarding operational experience in sharia banking, for an experienced candidate for the Board of Directors or Board of Commissioners;
9. statement issued by an educational institution concerning education in sharia banking previously taken by a candidate for the Board of

Directors ...

Directors or candidate for the Board of Commissioners without previous experience;

10. personal statement from members of the Board of Commissioners, stating that the person concerned does not hold any concurrent position in excess of prescribed limits:
 - i. as member of the Board of Commissioners at no more than 1 (one) other bank; or
 - ii. as member of the Board of Commissioners, Board of Directors, or Executive Officer with full responsibility at no more than 2 (two) other non-bank institutions/companies;
11. personal statement from the members of the Board of Directors, declaring that the person concerned does not hold concurrent positions as member of the Board of Directors, Board of Commissioners, or Executive Office at any other company and/or institution;
12. personal statements from members of the Sharia Supervisory Board that the person concerned does not hold concurrent positions as member of the Sharia Supervisory Board at more than 2 (two) other banks and 2 (two) non-bank sharia financial institutions;
13. personal statement from each member of the Board of Directors and Board of Commissioners, stating that the member concerned does not have family ties with the majority of members of the Board of Commissioners/Board of Directors to the second degree with fellow members of the Board of Commissioners or members of the Board of Directors;

14. personal ...

14. personal statements from members of the Board of Directors that they neither jointly nor severally own shares in excess of 25% (twenty-five percent) of the paid up capital of another company;
- d. planned organizational structure, including personnel;
- e. business plan for the first year, stating at least the following:
 1. feasibility study concerning market opportunities and economic potential, enclosing supporting data;
 2. business plan encompassing mobilization and channeling of funds as well as the operational measures to be taken to realize the plan; and
 3. balance sheet and income statement projections and monthly cash flow projection for the first 12 (twelve) months after the bank commences operations;
- f. medium and long-term corporate plan;
- g. risk management guidelines, planned internal control system, planned information technology system to be used, and scale of authorities;
- h. systems and working procedures;
- i. proof of payment of capital amounting to no less than 30% (thirty percent) of the minimum paid-up capital as referred to in Article 4 in the form of a photocopy of a deposit slip in favor of “the Board of Governors of Bank Indonesia, q.q. one of the proposed owners for establishment of the Bank concerned,” at a commercial bank conducting business based on sharia principles in Indonesia, which must be legalized by the issuing bank, stating that the funds may only be withdrawn after receipt of written approval of the Board of Governors of Bank Indonesia;
- j. personal statements from the proposed shareholders, for a Bank incorporated ...

incorporated as a Limited Liability Company/Regional Government Enterprise or from the proposed members for a Bank incorporated as a Cooperative, stating that the payment of capital referred to in letter i:

1. does not originate from a loan or other financing facility in any form whatsoever from a bank and/or any other party; and
2. does not originate from any source of funds prohibited under sharia principles, including funds originating from and intended for money laundering.

(2) The list of proposed shareholders or list of proposed members as referred to in paragraph (1) letter b:

a. in the case of natural persons, shall enclose:

1. documents as referred to in paragraph (1) letter c number 1, number 2, number 3, number 4, and number 5;
2. personal statements from the proposed Controlling Shareholders affirming willingness to resolve any capital and liquidity difficulties faced by the Bank in the course of its business; and
3. personal statement that the person concerned has never been involved in disgraceful acts in the banking, financial, or other business, has never been convicted of a felony, and is not under imposition of sanctions barring the person from becoming an owner, owner with more than 10% (ten percent) interest, and/or Controlling Shareholder of a bank as stipulated in the legal provisions concerning the Fit and Proper Test established by Bank Indonesia;

b. in the case of a legal entity, shall enclose:

1. deed of incorporation, including articles of association and amendments thereto, approved by the competent authority and the

case of ...

case of a foreign legal entity in accordance with the applicable legal provisions in the country of origin of that legal entity;

2. documents as referred to in paragraph (1) letter c number 1 through number 5, for all members of the Board of Directors and Board of Commissioners of the legal entity concerned;
3. recommendation from a competent authority in the country of origin, for a foreign legal entity;
4. list of shareholders and details of each individual shareholding, for a legal entity incorporated as a Limited Liability Company/ Regional Government Enterprise, or list of members and details of principal savings and mandatory savings and list of endowments, for a legal entity incorporated as a Cooperative;
5. financial statement for the legal entity, audited by a public accountant for the position at no more than 6 (six) months prior to the date of submission of application for approval in principle;
6. the entire structure of the business group related to the Bank and legal entities with ownership in the Bank up to the ultimate shareholder; and
7. personal statements from the proposed Controlling Shareholders affirming willingness to resolve any capital and liquidity difficulties faced by the bank in the course of its business.

Article 7

- (1) Approval or rejection of application for approval in principle as referred to in Article 3 paragraph (2) letter a shall be issued no later than 60 (sixty) days after receipt of the complete application.

(2) With ...

- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine and verify the documents;
 - b. analyze, among others, the level of fair competition among banks conducting business based on sharia principles, saturation level of number of banks conducting business based on sharia principles, and equitable distribution of national economic development; and
 - c. interview the proposed Controlling Shareholders, candidates for the Board of Commissioners, and candidates for the Board of Directors.
- (3) In addition to the provisions referred to in paragraph (2) the parties submitting the application for establishment of the Bank are required to deliver a presentation to Bank Indonesia of the entire plan for establishment of the Bank.

Article 8

- (1) Approval in principle as referred to in Article 7 paragraph (1) shall be effective for 360 (three hundred and sixty) days commencing from date of issue.
- (2) Parties granted approval in principle as referred to in paragraph (1) shall be prohibited from conducting banking business prior to obtaining an operating license
- (3) If after the period referred to in paragraph (1), the parties granted approval in principle as referred to in paragraph (2) have not submitted an application for operating license to the Governor of Bank Indonesia, the previously issued approval in principle shall be declared no longer valid.

Part Three
Operating License
Article 9

Application for operating license as referred to in Article 3 paragraph (2) letter b shall be submitted by the parties referred to in Article 8 paragraph (2) to the Governor of Bank Indonesia, enclosing the following:

- a. deed of incorporation, including articles of association approved by the competent authority;
- b. ownership data as referred to in Article 6 paragraph (1) letter b, with each item supported by documents as referred to in Article 6 paragraph (2), in the event of any change;
- c. composition of the Board of Directors and Board of Commissioners, enclosing identification and documents as referred in Article 6 paragraph (1) letter c, in the event of any change;
- d. documents as stipulated in Article 6 paragraph (1) letter d, letter e, letter f, letter g, and letter h, in the event of any change;
- e. proof of payment of minimum paid-up capital as referred to in Article 4 in the form of a photocopy of a deposit slip in favor of "the Board of Governors of Bank Indonesia, q.q. one of the proposed owners for establishment of the Bank concerned," at a commercial bank conducting business based on sharia principles in Indonesia, which must be legalized by the issuing bank, stating that the funds may only be withdrawn after receipt of written approval of the Board of Governors of Bank Indonesia;
- f. evidence of operational readiness, including but not limited to:
 1. list of fixed assets and inventory;

2. evidence ...

2. evidence of ownership, possession, or leasing arrangements of office building;
 3. photographs of the office building and layout of office space;
 4. specimen forms/slips to be used in the operations of the Bank; and
 5. Taxpayer Identification Number (NPWP) and Company Registration Certificate (TDP);
- g. personal statements from the shareholders, for a Bank incorporated as a Limited Liability Company/Regional Government Enterprise, or from members, for a Bank incorporated as a Cooperative, that the payment of capital referred to in letter e:
1. does not originate from a loan or other financing facility in any form whatsoever from a bank and/or any other party;
 2. does not originate from any source of funds prohibited under Sharia Principles, including funds originating from and intended for money laundering.

Article 10

- (1) Approval or rejection of application for operating license as referred to in Article 3 paragraph (2) letter b shall be issued no later than 60 (sixty) days after receipt of the complete application.
- (2) With regard to approval or rejection of application as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine and verify the documents; and
 - b. interview the Controlling Shareholders, members of the Board of Directors, Board of Commissioners, and Sharia Supervisory Board in the event of replacement of any previously nominated candidate.

Article 11 ...

Article 11

- (1) A Bank granted an operating license from the Governor of Bank Indonesia shall open for banking business no later than 60 (sixty) days after the date of issuance of the operating license.
- (2) The Board of Directors of the Bank shall report to Bank Indonesia the opening for business as referred to in paragraph (1) no later than 10 (ten) days after the date of commencing operations.
- (3) If after the period referred to in paragraph (1), the Bank has not opened business; the Governor of Bank Indonesia shall cancel the previously issued operating license.

Article 12

A Bank granted an operating license from the Governor of Bank Indonesia shall clearly state the word “Syariah” (sharia) after the word “Bank” in the inscription of its name.

CHAPTER III

BANK OWNERSHIP AND CHANGE OF CAPITAL

Article 13

- (1) Ownership of a Bank by an Indonesian legal entity as referred to in Article 5 paragraph (1) shall not exceed the net worth of the legal entity concerned.
- (2) The net worth requirement referred to in paragraph (1) shall be fulfilled at the time that the legal entity pays up capital for establishment of the Bank or at the time that the legal entity adds to the paid up capital of the Bank.

Article 14

Prohibited sources of funds for ownership of a Bank are as follows:

a. funds ...

- a. funds originating from any loan or financing facility in any form whatsoever from a bank and/or other party;
- b. funds originating from any source prohibited under sharia principles, including funds originating from and intended for money laundering.

Article 15

- (1) Parties eligible to become owners of a Bank are parties:
 - a. not included on the list of persons barred from becoming shareholders and/or managers of banks in accordance with the provisions stipulated by Bank Indonesia;
 - b. in the opinion of Bank Indonesia, possessing high integrity.
- (2) Owners of a Bank possessing high integrity as referred to in paragraph (1) letter b are parties who, among others:
 - a. possess good character and strong moral values;
 - b. comply with prevailing laws and regulations;
 - c. are highly committed to the development of sound Bank operations.
- (3) In addition to the provisions referred to in paragraph (1), Controlling Shareholders are also required to fulfill the requirement of willingness of the parties concerned to resolve any capital or liquidity difficulties faced by the Bank in the course of its business.

Article 16

Replacement and/or addition of owners of a Bank and/or Controlling Shareholders shall comply with the procedures for replacement and/or addition of owners of Banks set forth in the applicable laws and regulations concerning

merger ...

merger, consolidation, and acquisition of Banks and concerning purchase of shares in commercial banks.

Article 17

- (1) The Bank shall report to Bank Indonesia any change in composition of Bank ownership which does not result in replacement and/or change in owners no later than 10 (ten) days after the change.
- (2) The report of change in composition of ownership referred in to paragraph (1) resulting from addition of paid up capital shall enclose:
 - a. proof of payment;
 - b. minutes of the general meeting of shareholders/meeting of members;
 - c. personal statements as referred to in Article 9 letter g; and
 - d. ownership data as referred to in Article 9 letter b.
- (3) Report of change in composition of ownership referred in to paragraph (1) not resulting in change of paid up capital shall enclose the documents referred to in paragraph (2) letter b, letter c, and letter d, and a photocopy of the document for transfer of shares.

Article 18

- (1) If a Bank is legally incorporated as a Limited Liability Company/Regional Government Enterprise, the Bank shall report any change in authorized capital to Bank Indonesia no later than 10 (ten) days after the date of receipt of approval of amendment to articles of association from the competent authority, enclosing:
 - a. minutes of the general meeting of shareholders; and

b. deed ...

- b. deed of amendment to the articles of association approved by the competent authority.
- (2) If a Bank is legally incorporated as a Cooperative, the Bank shall report any change in capital to Bank Indonesia no later than 10 (ten) days after the date of amendment to articles of association, enclosing:
 - a. minutes of the meeting of members; and
 - b. deed of amendment to the articles of association approved by the meeting of members.
- (3) Any buyback of shares previously issued by the Bank shall be approved in advance by Bank Indonesia and conducted in accordance with the applicable laws and regulations.

CHAPTER IV

BOARD OF DIRECTORS, BOARD OF COMMISSIONERS, SHARIA SUPERVISORY BOARD, AND EXECUTIVE OFFICERS

Article 19

- (1) The management of a Bank shall consist of the Board of Directors and Board of Commissioners and/or other equivalent organs.
- (2) A Bank is required to establish and have a Sharia Supervisory Board domiciled at the head office of the Bank.

Article 20

- (1) Members of the Board of Directors and Board of Commissioners shall meet the following requirements:

a. not ...

- a. not included in the list of persons barred from becoming shareholders and/or managers of banks in accordance with the provisions established by Bank Indonesia; and
 - b. in the opinion of Bank Indonesia, the person concerned possesses sound competence and integrity.
- (2) Members of the Board of Directors and Board of Commissioners of a Bank possessing sound competence and high integrity as referred to in paragraph (1) letter b are parties who meet requirements that include but are not limited to the following:
- a. possess sound character and strong moral values;
 - b. comply with prevailing laws and regulations;
 - c. are highly committed to adhering to the fatwas of the National Sharia Council; and
 - d. possess the capacity to perform tasks and/or supervise the business of the Bank to ensure compliance with sharia principles.

Article 21

- (1) Members of the Sharia Supervisory Board shall meet the following requirements:
- a. integrity;
 - b. competence; and
 - c. financial reputation.
- (2) Members of the Sharia Supervisory Board meeting the integrity requirement as referred to in paragraph (1) letter a, among others, are parties who:
- a. possess sound character and strong moral values;

b. are ...

- b. are committed to comply with prevailing laws and regulations;
 - c. are highly committed to the development of sound operations at the Bank;
 - d. not included in the disqualified list (DTL) in accordance with the provisions established by Bank Indonesia.
- (3) To fulfill the competence requirement as referred to in paragraph (1) letter b, members of the Sharia Supervisory Board shall be parties who possess, among others, knowledge and experience in the area of sharia mu'amalah and general knowledge in banking and or finance.
- (4) Members of the Sharia Supervisory Board meeting the requirement of financial reputation as referred to in paragraph (1) letter c include but are not limited to parties as follows:
- a. not included on the list of bad debts/financing;
 - b. never declared bankrupt or served on a Board of Directors or Board of Commissioners found at fault in causing a company to be declared bankrupt during the period of 5 (five) years prior to nomination.

Article 22

- (1) A Bank whose shares are owned in part by foreign parties may appoint expatriates as members of the Board of Commissioners and Board of Directors.
- (2) Among the members of the Board of Commissioners and Board of Directors, no less than 1 (one) member of the Board of Directors and 1 (one) member of the Board of Commissioners shall be an Indonesian citizen.

Article 23 ...

Article 23

- (1) The Board of Directors of a Bank shall number no less than 2 (two) persons.
- (2) The majority of members of the Board of Directors shall possess at least 2 (two) years of experience in sharia bank operations in the capacity of Executive Officer.
- (3) The Managing Director of the Bank shall be appointed from a party independent of the Controlling Shareholder(s).

Article 24

- (1) Members of the board of Directors are prohibited from having family ties with each other to the second degree, including as parents related to each other through the marriage of their children.
- (2) The majority of members of the Board of Directors are prohibited from having family ties to the second degree, including as parents related to each other through the marriage of their children, with members of the Board of Commissioners.
- (3) Members of the Board of Directors are prohibited from holding concurrent positions as members of the Board of Directors or Executive Officers at any other bank, company, or other institution.
- (4) Members of the Board of Directors, whether jointly or severally, are prohibited from holding shares in excess of 25% (twenty-five percent) of the paid up capital of another company.
- (5) Members of the Board of Directors are prohibited from granting general empowerment to any other party resulting in unlimited transfer of duties and authority.

Article 25 ...

Article 25

- (1) Members of the Board of Commissioners shall number no less than 2 (two) persons and no more than the total members of the Board of Directors.
- (2) At least 1 (one) member of the Board of Commissioners must be domiciled in Indonesia.
- (3) At least 1 (one) member of the Board of Commissioners must be appointed from a party independent of the owners.
- (4) Members of the Board of Commissioners are required to possess knowledge and/or experience in banking.
- (5) Members of the Board of Commissioners may hold concurrent positions only as:
 - a. member of the Board of Commissioners at no more than 1 (one) other bank; or
 - b. member of the Board of Commissioners or Board of Directors or Executive Officer with full responsibility at no more than 2 (two) non-bank institutions/companies.
- (6) The majority of members of the Board of Commissioners are prohibited from having family ties to the second degree with fellow members of the Board of Commissioners.

Article 26

- (1) Members of the Sharia Supervisory Board shall number no less than 2 (two) persons and no more than 5 (five) persons.
- (2) Members of the Sharia Supervisory Board may only hold concurrent positions as member of the Sharia Supervisory Board at no more than 2 (two) other banks and 2 (two) non-bank sharia financial institutions.

(3) No more ...

- (3) No more than 2 (two) members of the Sharia Supervisory Board may hold concurrent positions as members of the National Sharia Council.
- (4) Members of the Sharia Supervisory Board are categorized as affiliated parties.

Article 27

- (1) The scope of duties, powers, and responsibilities of the Sharia Supervisory Board includes but is not limited to:
 - a. ascertain and monitor the compliance of the Bank operations with the fatwas issued by the National Sharia Council;
 - b. assess the sharia aspects of the operating manual and the products issued by the Bank;
 - c. provide opinions from the aspect of sharia regarding the overall operations of the Bank in the published reports of the Bank;
 - d. study new products and services not covered by fatwas in order to request a fatwa from the National Sharia Council;
 - e. submit a report on the findings of sharia supervision no less than every 6 (six) months to the Board of Directors, the Board of Commissioners, the National Sharia Council, and Bank Indonesia.
- (2) The procedure for reporting the findings of supervision by the Sharia Supervisory Board as referred to in paragraph (1) shall be stipulated further in a Circular Letter of Bank Indonesia.

Article 28

- (1) Candidates for the Board of Directors or Board of Commissioners shall obtain approval from Bank Indonesia prior to appointment by a general

meeting ...

meeting of shareholders or meeting of members and taking up their positions.

- (2) Prior to requesting approval from Bank Indonesia, any designation of a candidate to the Board of Directors or Board of Commissioners as referred to in paragraph (1) shall be guided by the applicable laws and regulations.

Article 29

- (1) Application for approval as referred to in Article 28 shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing the documents referred to in Article 6 paragraph (1) letter c with the exception of number 12.
- (2) With regard to the approval or rejection of application as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine and verify the documents; and
 - b. interview the candidates for the Board of Directors or Board of Commissioners.
- (3) Approval or rejection of an application for candidates for the Board of Directors and/or Board of Commissioners shall be issued no later than 30 (thirty) days after receipt of the complete application.

Article 30

- (1) In the event that a general meeting of shareholders or meeting of members has appointed candidates to the Board of Directors and/or candidates to the Board of Commissioners to their positions prior to approval from Bank Indonesia as referred to in Article 29 paragraph (3) and Bank Indonesia does not approve the parties concerned, the Bank shall nominate new

candidates ...

candidates for the Board of Directors and/or Board of Commissioners in accordance with the provisions referred to in Article 28 and Article 29 paragraph (1) and paragraph (2).

- (2) If the general meeting of shareholders or meeting of members cancels the appointment of a candidate for the Board of Directors or candidate for the Board of Commissioners previously approved by Bank Indonesia, the Bank shall report the cancellation to Bank Indonesia no later than 10 (ten) days after the date of cancellation of the appointment, enclosing a photocopy of the minutes of the general meeting of shareholders or photocopy of the minutes of the meeting of members.
- (3) The Bank shall report the appointment of members of the Board of Directors and/or Board of Commissioners to Bank Indonesia no later than 10 (ten) days after the effective date of appointment, enclosing the minutes of the general meeting of shareholders or photocopy of the minutes of the meeting of members.

Article 31

Banks are required to nominate candidates to the Sharia Supervisory Board in order to obtain:

- a. approval from Bank Indonesia; and
 - b. ruling from the National Sharia Board,
- prior to their appointment and taking up position.

Article 32

- (1) Application for approval as referred to in Article 31 letter a shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing the documents ...

documents referred to in Article 6 paragraph (1) letter c number 1 through number 3, number 6, number 7, and number 12.

- (2) Approval or rejection of an application for candidates for the Sharia Supervisory Board shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (3) With regard to approval or rejection as referred to in paragraph (2), Bank Indonesia shall:
 - a. examine and verify the documents; and
 - b. interview the candidates for the Sharia Supervisory Board.

Article 33

- (1) A ruling by the National Sharia Council shall be issued for candidates to the Sharia Supervisory Board after obtaining approval from Bank Indonesia.
- (2) Application for ruling as referred to in Article 31 letter b shall be submitted by the Bank to the National Sharia Council with a copy to Bank Indonesia no later than 15 days after the issuance of the letter of approval from Bank Indonesia.
- (3) The National Sharia Council shall issue a ruling for candidates to the Sharia Supervisory Board no later than 30 days after the date of issuance of the letter of approval from Bank Indonesia.
- (4) If the National Sharia Council has not issued a ruling for candidates to the Sharia Supervisory Board within the period referred to in paragraph (3), the candidates for the Sharia Supervisory Board shall be deemed effectively appointed to the Sharia Supervisory Board.

(5) The ...

- (5) The Bank shall report to Bank Indonesia the appointment of members to positions on the Sharia Supervisory Board no later than 10 (ten) days after the effective date of appointment.

Article 34

- (1) The Bank shall report to Bank Indonesia the appointment or replacement of an Executive Officer or Branch Office manager no later than 10 (ten) days after the effective date of appointment, enclosing:
 - a. letter of appointment and empowerment as Executive Officer or Branch Office manager, issued by the Board of Directors of the Bank; and
 - b. documents attesting to the identity of an Executive Officer or Branch Office manager of a Bank as referred to in Article 6 paragraph (1) letter c number 1, number 2, number 3, and number 4.
- (2) If on the basis of assessment and examination by Bank Indonesia, an Executive Officer or Branch Office manager is included in the list of persons barred from becoming shareholder, Controlling Shareholder, manager, or Executive Office of a bank, the Bank shall immediately dismiss the person concerned.

Article 35

- (1) Any member of the Board of Directors, member of the Board of Commissioners, member of the Sharia Supervisory Board, Executive Officer, and Branch Office manager with conflict of interest shall be prohibited from taking decisions.
- (2) Conflict of interest as referred to in paragraph (1) shall be disclosed in the decision.

CHAPTER V CONDUCT OF BUSINESS

Article 36

Banks are required to apply sharia principles and prudential principles in the conduct of their business, as follows:

- a. mobilize funds from the public in the form of deposits and investments, including but not limited to:
 1. demand deposits based on the *wadi'ah* principle;
 2. savings deposits based on the *wadi'ah* or *mudharabah* principle; or
 3. time deposits based on the *mudharabah* principle;
- b. channel funds by means of:
 1. the sale and purchase principle, based on agreements that include but are not limited to:
 - a) *murabahah*;
 - b) *istishna*;
 - c) *salam*;
 2. the profit sharing principle, based on agreements that include but are not limited to:
 - a) *mudharabah*;
 - b) *musyarakah*;
 3. the leasing principle, based on agreements that include but are not limited to:
 - a) *ijarah*;
 - b) *ijarah muntahiya bittamlik*;
 3. the lending and borrowing principle based on the *qardh* agreement;

c. provisions ...

- c. provision of banking services on the basis of agreements including but not limited to:
 - 1. *wakalah*;
 - 2. *hawalah*;
 - 3. *kafalah*;
 - 4. *rahn*.
- d. purchase, sale, and/or guarantee at own risk of third party securities issued on the basis of underlying transactions based on sharia principles;
- e. purchase of securities based on sharia principles issued by the Government and/or Bank Indonesia;
- f. issuance of securities based on sharia principles;
- g. transfer of money for own account and/or for account of customers based on sharia principles;
- h. receipt of payments for claims on issued securities and perform offsetting with or among third parties based on sharia principles;
- i. provision of space for safekeeping of goods and securities based on the *wadi'ah yad amanah* principle;
- j. conduct custodian business, including administration, for the account of other parties based on a contract under the *wakalah* principle;
- k. provision of letter of credit (L/C) facilities based on sharia principles;
- l. provision of bank guarantee facilities based on sharia principles;
- m. operation of debit card and charge card business based on sharia principles;
- n. conduct trusteeship business based on *wakalah* agreements;
- o. conduct other activities customarily performed by Banks insofar as the activities are approved by Bank Indonesia and covered by a fatwa of the National Sharia Council.

Article 37 ...

Article 37

- (1) In addition to the conducting business referred to in Article 36, a Bank may also:
 - a. conduct activities in foreign currency based on *sharf* agreements;
 - b. conduct equity participation in a bank or other financial sector company based on sharia principles such as leasing, venture capital, securities company, insurance company, and clearing, settlement, and depository institution;
 - c. conduct operations in temporary equity participation based on sharia principles for resolution of financing failure, subject to the condition that the equity participation must be withdrawn according to the provisions stipulated by Bank Indonesia; and
 - d. act as founder of a pension fund and manager of a pension fund based on sharia principles in accordance with provisions in the applicable laws and regulations governing pension funds.
- (2) In performing their social benefit function, sharia Banks may act as recipient of donations, including but not limited to *zakat*, *infaq*, *shadaqah*, *waqaf*, and *hibah* and channel these funds in accordance with sharia principles on behalf of the Bank or a *zakat* administration body appointed by the government.

Article 38

- (1) Banks are required to apply to Bank Indonesia for approval of any new product or service to be launched.
- (2) Application for approval of a new product or service to be launched as referred to in paragraph (1) shall enclose a fatwa from the National Sharia Council.

Article 39 ...

Article 39

- (1) Banks are prohibited from conducting conventional banking business.
- (2) Banks are prohibited from converting business to that of a conventional bank.

CHAPTER VI

OPENING OF BANK OFFICES

Part One

Establishment of Domestic Branch Offices

Article 40

- (1) A domestic Branch Office of a Bank may only be established pursuant to a license from the Governor of Bank Indonesia.
- (2) Any plan for establishment of a Branch Office as referred to in paragraph (1) shall be disclosed in the annual business plan of the Bank supported by a letter of confirmation from Bank Indonesia.

Article 41

- (1) Application for license as referred to in Article 40 shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing:
 - a. consolidated financial statement and detailed report of earning assets quality for the last 2 (two) months preceding the date of application;
 - b. plan for operational preparations for opening the Branch Office;
 - c. feasibility study presenting at least the economic potential, market opportunities, level of fair competition among banks conducting business based on sharia principles, and saturation level of number of banks ...

- banks conducting business based on sharia principles, enclosing supporting data from the relevant agencies;
- d. monthly cash flow projection for 12 (twelve) months; and
 - e. Branch Office business plan for no less than 12 (twelve) months.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
- a. examine and verify the documents; and
 - b. analyze, among others, the capacity of the Bank including rating, level of fair competition among banks conducting business based on sharia principles, saturation level of number of banks conducting business based on sharia principles, and equitable distribution of national economic development.
- (3) If necessary, Bank Indonesia may conduct examination to ascertain the preparations for office opening and verify the submitted documents;
- (4) Approval or rejection of application as referred to in paragraph (2) shall be issued no later than 30 (thirty) days after receipt of the complete application, including examination as referred to in paragraph (3).

Article 42

- (1) The Branch Office shall open for business as referred to in Article 41 no later than 30 (thirty) days after the date of issuance of the license from the Governor of Bank Indonesia.
- (2) The Bank shall report to Bank Indonesia the opening of Branch Office for business as referred to in paragraph (1) no later than 10 (ten) days after the opening date.

(3) If after...

- (3) If after the period referred to in paragraph (1) the Bank has not opened the Branch Office for business, the license previously issued for opening the Branch Office shall be declared no longer valid.

Part Two

Opening of Domestic Sub-Branch Offices/Units and Outdoor Cash Units

Article 43

- (1) Any plan for opening of domestic Sub-Branch Offices/Units of a Bank, encompassing Sub-Branch Offices, Sharia Services Units, and/or Cash Units, shall be disclosed in the annual business plan of the Bank supported by a letter of confirmation from Bank Indonesia.
- (2) A Sub-Branch Office and/or Cash Unit as referred to in paragraph (1) may only be opened:
 - a. within the same clearing area as the supervising Office;
 - b. after taking into account the feasibility study presenting the saturation level of number of banks conducting business based on sharia principles; and
 - c. using the human resources of the Bank itself.
- (3) A Sharia Services Unit as referred to in paragraph (1) may only be opened:
 - a. within the same Bank Indonesia Regional Office area as the supervising Branch Office;
 - b. in a location outside the provincial capitals of Bogor, Depok, Tangerang, and Bekasi;
 - c. after taking into account a feasibility study presenting the saturation level of number of banks conducting business based on sharia principles; and
 - d. using

- d. using the human resources of the Bank itself.
- (4) Cash Offices, Sub-Branch Offices, and/or Sharia Services Units may be opened at the same address as another office, while notwithstanding taking account of security factors.
- (5) The financial statements for Sub-Branch Offices/Units shall be consolidated into the financial statement for the supervising Branch Office on the same day.

Article 44

- (1) The Bank shall submit the plan for opening Sub-Branch Offices/Units to Bank Indonesia no later than 30 (thirty) days prior to opening for business, enclosing a feasibility study presenting the saturation level of number of banks conducting business based on sharia principles.
- (2) Sub-Branch Offices/Units as referred to in paragraph (1) shall open for business no later than 30 (thirty) days after the date of confirmation from Bank Indonesia.
- (3) The Bank shall report the opening of the Sub-Branch Office/Unit to Bank Indonesia no later than 10 (ten) days after the opening date.

Article 45

- (1) Any plan for opening of Outdoor Cash Units shall be disclosed in an annual work plan of the Bank supported by a letter of confirmation from Bank Indonesia.
- (2) The Bank shall report any plan for Outdoor Cash Units as referred to in paragraph (1) to Bank Indonesia no later than 30 (thirty) days prior to commencement of activities.

(3) Outdoor ...

- (3) Outdoor Cash Units as referred to in paragraph (2) shall open for business no later than 30 (thirty) days after the date of confirmation from Bank Indonesia.
- (4) The Bank shall report the opening of Outdoor Cash Units to Bank Indonesia no later than 10 (ten) days after the opening date.

Part Three

Opening of Overseas Offices

Article 46

- (1) A Bank intending to open overseas Branch Offices, representative offices, and other overseas offices may only proceed with approval from the Governor of Bank Indonesia.
- (2) Approval as referred to in paragraph (1) may only be issued if the Bank:
 - a. has been operating as a foreign exchange Bank for no less than 24 (twenty-four) months; and
 - b. has disclosed the plan for opening of overseas Branch Offices, representative offices, and other overseas offices in the annual business plan of the Bank supported by a letter of confirmation from Bank Indonesia.

Article 47

- (1) Application for approval to open Branch Offices and other operational offices as referred to in Article 46 paragraph (1) shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing documents as referred to in Article 41 paragraph (1) letter a, letter b, letter d, and letter e and a feasibility study presenting at least market opportunities and economic potential.

(2) Application ...

- (2) Application for approval to open representative offices and other non-operational offices as referred to in Article 46 paragraph (1) as shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing documents in the form of the consolidated financial statement for the last 2 (two) months preceding the date of application and reasons for opening the offices.
- (3) Approval or rejection of an application as referred to in paragraph (1) and paragraph (2) shall be issued no later than 30 (thirty) days after receipt of the complete application.
- (4) With regard to approval or rejection as referred to in paragraph (3), Bank Indonesia shall:
 - a. examine and verify the documents;
 - b. analyze, among others, of the capacity of the Bank including rating and the feasibility study.

Article 48

- (1) Opening of an overseas office as referred to in Article 47 may only proceed with approval from the authorities of the country concerned.
- (2) The Bank shall report the opening of an office as referred to in paragraph (1) to Bank Indonesia no later than 10 (ten) days after the opening date, enclosing a copy/photocopy of the approval for opening of the office issued by the authorities of the country concerned.

CHAPTER VII ...

CHAPTER VII
UPGRADING AND DOWNGRADING OF BANK OFFICES

Article 49

- (1) Upgrading of Sub-Branch Office/Unit to Branch office may only take place by closure of the Sub-Branch Office/Unit in compliance with the provisions of Article 64 followed by establishment of a Branch Office in compliance with the provisions referred to in Article 40, Article 41, and Article 42.
- (2) Upgrading of Outdoor Cash Unit to Sub-Branch Office/Unit may only take place by termination of the Outdoor Cash Unit in compliance with the provisions of Article 64 followed by the opening of a Sub-Branch Office/Unit in compliance with the provisions referred to in Article 43 and Article 44.

Article 50

- (1) Downgrading of Branch Office to Sub-Branch Office/Unit may only take place by closing the Branch Office in compliance with the provisions of Article 61, Article 62, and Article 63 followed by opening a Sub-Branch Office/Unit in compliance with the provisions referred to in Article 43 and Article 44, except for the feasibility study presenting the saturation level of number of banks conducting business based on sharia principles.
- (2) Downgrading of Sub-Branch Office/Unit to Outdoor Cash Unit may only take place by closure of the Sub-Branch Office/Unit in compliance with the provisions of Article 64 followed by the opening of an Outdoor Cash Unit in compliance with the provisions referred to in Article 45.

CHAPTER VIII

CHANGE OF OFFICE ADDRESS

Article 51

- (1) The head office and Branch Offices may only move address with approval from the Governor of Bank Indonesia.
- (2) Application for approval as referred to in paragraph (1) shall be submitted by the Bank to the Governor of Bank Indonesia prior to moving address.

Article 52

- (1) Application for approval to change address of the head office or Branch Office as referred to in Article 51 paragraph (1) shall enclose:
 - a. the reasons for change of address and plan for operational preparations for the Bank office;
 - b. plan for settlement or transfer of the claims and liabilities of the Bank; and
 - c. feasibility study concerning the new location, including at least economic potential, market opportunities, level of fair competition among banks conducting business based on sharia principles, and saturation level of number of banks conducting business based on sharia principles, accompanied by supporting data.
- (2) Change of address of a Bank Branch Office:
 - a. within the same street or to a nearby location shall fulfill the requirements referred to in paragraph (1) letter a;
 - b. to a location outside the regency/municipality of the former office, notwithstanding in the same working area of the Bank Indonesia Regional Office, shall fulfill the requirements referred to in paragraph (1) letter a, letter b, and letter c;
c. outside

- c. outside the working area of the former Bank Indonesia Regional Office shall fulfill the provisions for closure of Branch Office and establishment of Branch Office.
- (3) Change of head office address shall fulfill the requirements referred to in paragraph (1).
- (4) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
 - a. examine and verify the documents; and
 - b. analyze, among others, the level of fair competition among banks conducting business based on sharia principles, saturation level of number of banks conducting business based on sharia principles, and equitable distribution of national economic development.
- (5) If necessary, Bank Indonesia may conduct examination to ascertain the preparations for moving of office address and verify the submitted documents.
- (6) Approval or rejection of application as referred to in paragraph (1) shall be issued no later than 30 (thirty) days after receipt of the complete application, including examination as referred to in paragraph (5).

Article 53

- (1) Change of address that is approved as referred to in Article 52 paragraph (6) shall take place no later than 30 (thirty) days after the date of issuance of approval by the Governor of Bank Indonesia.
- (2) Change of address as referred to in paragraph (1) shall be announced by the Bank in:
 - a. a newspaper with national circulation, for change of head office address; or
 - b. a newspaper ...

- b. a newspaper with wide circulation in the domicile of the Branch Office, for change of Branch Office address, no later than 10 (ten) days prior to moving address.
- (3) The Bank shall report the moving of address to Bank Indonesia no later than 10 (ten) days after the moving date.
- (4) If after the period referred to in paragraph (1) the Bank has not moved address, the Governor of Bank Indonesia shall cancel the issued approval.

Article 54

- (1) Any plan for change of address in regard to:
 - a. domestic Sub-Branch Offices/Units and Outdoor Cash Units; or
 - b. overseas Branch Offices, representative offices, and other overseas offices,shall be reported by the Bank to Bank Indonesia no later than 30 (thirty) days prior to moving address.
- (2) Notification of planned change of address as referred to in paragraph (1) letter a shall enclose:
 - a. the reasons for change of address and plan for operational preparations of the Bank office;
 - b. plan for settlement or transfer of the claims and liabilities of the Bank; and
 - c. feasibility study of the new location, presenting at least the saturation level of number of banks conducting business based on sharia principles.

Article 55

- (1) Change of address of a domestic Sub-Branch Office/Unit as referred to in Article 54 paragraph (1) letter a:
 - a. within

- a. within the same street or to a nearby location shall fulfill the requirements referred to in Article 54 paragraph (2) letter a;
 - b. to a location outside the regency/municipality of the former office, notwithstanding in the same Bank Indonesia Regional Office working area, shall fulfill the requirements referred to in Article 54 paragraph (2) letter a, letter b, and letter c;
 - c. outside the working area of the former Bank Indonesia Regional Office shall fulfill the provisions for closure of Sub-Branch Office/Unit and opening of Sub-Branch Office/Unit.
- (2) Change of address of an Outdoor Cash Unit as referred to in Article 54 paragraph (1) letter a:
- a. within the same street or to a nearby location shall fulfill the requirements referred to in Article 54 paragraph (2) letter a;
 - b. to a location outside the regency/municipality of the former office, notwithstanding in the same Bank Indonesia Regional Office working area, shall fulfill the requirements referred to in Article 54 paragraph (2) letter a, letter b, and letter c;
 - c. outside the working area of the former Bank Indonesia Regional Office shall fulfill the provisions for closure of Outdoor Cash Unit and opening of Outdoor Cash Unit.
- (3) The domestic Sub-Branch Office/Unit and Outdoor Cash Unit as referred to in Article 54 paragraph (1) shall move address no later than 30 (thirty) days after the date of confirmation from Bank Indonesia.

Article 56

- (1) Change of address of a Sub-Branch Office/Unit as referred to in Article 55 paragraph (1) shall be announced by the Bank in a newspaper with wide circulation ...

circulation in the domicile of the supervising Branch Office no later than 10 (ten) days prior to the moving date.

- (2) The Bank shall report the change of address of a Sub-Branch Office/Unit and Outdoor Cash Unit to Bank Indonesia no later than 10 (ten) days after the moving date.
- (3) The Bank shall report the change of address of an overseas Branch Office, representative office, and other overseas office as referred to in Article 54 paragraph (1) letter b to Bank Indonesia no later than 10 (ten) days after the moving date, enclosing a copy/photocopy of the approval from the authorities of the country concerned.

CHAPTER IX

CHANGE OF NAME AND CONVERSION OF LEGAL ENTITY

Part One

Change of Name of Bank

Article 57

- (1) Change of name of a Bank shall take place in compliance with the applicable laws and regulations.
- (2) A Bank having obtained approval for change of name from the competent authority shall submit an application to Bank Indonesia for a ruling on use of the operating license held by the Bank under the new name.
- (3) Application as referred to in paragraph (2) shall be submitted by the Bank to Bank Indonesia no later than 30 (thirty) days after the change of name, enclosing the deed of amendment of the articles of association approved by the competent authority, for a Bank incorporated as a Limited Liability Company/Regional Government Enterprise, or amendment to the articles of

association ...

association approved by the meeting of members, for Bank incorporated as a Cooperative.

- (4) Based on the application referred to in paragraph (3), Bank Indonesia shall issue a Decree of the Governor of Bank Indonesia concerning the change of name of the Bank no later than 15 (fifteen) days after receipt of the complete application.
- (5) The change of name of the Bank shall be announced in a newspaper with national circulation no later than 10 (ten) days after the date of issuance of the Decree of the Governor of Bank Indonesia.

Part Two

Conversion of Bank Legal Entity

Article 58

- (1) Conversion of the legal entity of a Bank shall proceed with approval from the Governor of Bank Indonesia.
- (2) Approval for conversion of the legal entity of a Bank as referred to in paragraph (1) shall be issued in two stages:
 - a. approval in principle, meaning approval to conduct preparations for conversion of legal entity of the Bank; and
 - b. approval for conversion of operating license, meaning approval issued for conversion of the operating license from the former legal entity to the new legal entity.

Article 59

- (1) Application for approval in principle for conversion of the legal entity of a Bank as referred to Article 58 paragraph (2) letter a shall be submitted by the Bank to the Governor of Bank Indonesia prior to the convening of a

general ...

general meeting of shareholders or meeting of members to adopt a resolution on the conversion of the legal entity of the Bank, enclosing:

- a. reasons for conversion of the legal entity;
 - b. draft deed of incorporation of the new legal entity, including articles of association;
 - c. plan for transfer of all rights and liabilities from the former legal entity to the new legal entity;
 - d. list of members of the Board of Directors, Board of Commissioners, and Sharia Supervisory Board, enclosing documents as referred to in Article 6 paragraph (1) letter c, in the event of any change; and
 - e. ownership data as referred to in Article 6 paragraph (1) letter b, enclosing documents as referred to in Article 6 paragraph (2), in the event of any change.
- (2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:
- a. examine and verify the documents;
 - b. interview the proposed Controlling Shareholders, candidates for the Board of Directors, candidates for the Board of Commissioners, and candidates for the Sharia Supervisory Board, in the event of any change.
- (3) Approval or rejection of application as referred to in paragraph (2) shall be issued no later than 30 (thirty) days after receipt of the complete application.

Article 60

- (1) Application for conversion of the operating license of the Bank from the former legal entity to a new legal entity as referred to in Article 58

paragraph (2) ...

paragraph (2) letter b shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing:

- a. deed of incorporation of the new legal entity, including articles of association approved by the competent authority;
- b. list of members of the Board of Commissioners, Board of Directors, and Sharia Supervisory Board, enclosing documents as referred to in Article 6 paragraph (1) letter c, in the event of any change;
- c. ownership data as referred to in Article 6 paragraph (1) letter b, enclosing documents as referred to in Article 6 paragraph (2), in the event of any change;
- d. draft official record of transfer of all rights and liabilities from the former legal entity to the new legal entity; and
- e. minutes of the general meeting of shareholders or meeting of members of the former legal entity approving the conversion of legal entity and dissolution of the former legal entity.

(2) With regard to approval or rejection as referred to in paragraph (1), Bank Indonesia shall:

- a. examine and verify the documents; and
- b. interview the Controlling Shareholders, members of the Board of Directors, Board of Commissioners, and Sharia Supervisory Board in the event of any change.

(3) Approval or rejection of application for conversion of operating license from the former legal entity to the new legal entity shall be issued no later than 30 (thirty) days after receipt of the complete application.

(4) Dissolution of the legal entity may only proceed after:

a. Bank ...

- a. Bank Indonesia has issued approval for conversion of operating license as referred to in paragraph (3); and
 - b. transfer of all rights and liabilities from the former legal entity to the new legal entity has been completed in accordance with the draft official record referred to in paragraph (1) letter d.
- (5) The dissolution of the legal entity of the Bank shall be announced by the Bank in a newspaper with national circulation no later than 10 (ten) days after the date of issuance of the decree of the Governor of Bank Indonesia.

CHAPTER X

CLOSURE OF BANK OFFICES

Article 61

- (1) A domestic Branch Office may be closed only with approval from the Governor of Bank Indonesia.
- (2) Approval as referred to in paragraph (1) shall be issued in two stages:
- a. approval in principle, meaning approval to conduct preparations for closure of the Branch Office; and
 - b. approval for closure, meaning approval to proceed with the closure of the Branch Office.

Article 62

- (1) Application for approval in principle as referred to in Article 61 paragraph (2) letter a shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing:
- a. the reasons for closure; and
 - b. measures to be taken for settlement of all liabilities of the Branch Office to customers and other parties.

(2) Application ...

- (2) Application for approval of closure as referred to in Article 61 paragraph (2) letter b shall be submitted by the Bank to the Governor of Bank Indonesia after the Bank has obtained approval in principle, enclosing:
 - a. proof of settlement of liabilities to customers and other parties; and
 - b. statement from the Board of Directors of the Bank, attesting that the measures for settlement of all liabilities of the Branch Office to customers and other parties have been completed and that any claims that may arise in the future shall constitute the responsibility of the Board of Directors on behalf of and in the name of the Bank.
- (3) If necessary, Bank Indonesia may conduct examination of the Bank to ascertain the settlement of all liabilities of the Branch Office to be closed.
- (4) Approval or rejection of application for approval in principle and approval for closure of Branch Office as referred to in paragraph (1) and paragraph (2) shall each be issued within a deadline of no later than 15 (fifteen) days after receipt of the complete application, including any examination as referred to in paragraph (3).

Article 63

- (1) An office approved for closure as referred to in Article 62 paragraph (4) shall close for business no later than 30 (thirty) days after the date of approval for the closure.
- (2) Closure of office as referred to in paragraph (1) shall be announced by the Bank in a newspaper with wide circulation in the domicile of the Bank office no later than 10 (ten) days after the date of approval for closure from the Governor of Bank Indonesia.

(3) The ...

- (3) The Bank shall report to Bank Indonesia the closing of an office approved for closure as referred to in Article 62 paragraph (4) no later than 10 (ten) days after the date of closure.
- (4) If within the period referred to in paragraph (1), the Bank has not closed the Branch Office, the previously issued approval for closure of the office shall be declared no longer valid.

Article 64

- (1) The Bank shall report any plan for closure of a Sub-Branch Office/Unit to Bank Indonesia no later than 30 (thirty) days prior to closure of the offices, enclosing:
 - a. the reasons for closure; and
 - b. measures to be taken for settlement of liabilities of the Sub-Branch Offices/Units to customers and other parties.
- (2) The Bank shall report any plan for closure of Outdoor Cash Units to Bank Indonesia no later than 30 (thirty) days prior to the closure of the Outdoor Cash Units, enclosing the reasons for closure.
- (3) The Bank shall report to Bank Indonesia the closing of business of Sub-Branch Offices/Units no later than 10 (ten) days after the date of closure, enclosing:
 - a. proof of settlement of liabilities to customers and other parties; and
 - b. statement from the management of the supervising Branch Office, attesting that the measures for settlement of all liabilities of the Sub-Branch Offices/Units to customers and other parties have been completed and that any claims that may arise in the future shall constitute the responsibility of the management of the supervising Branch Office on behalf of and in the name of the Bank.

(4) The ...

- (4) The Bank shall report the closure of Outdoor Cash Unit to Bank Indonesia no later than 10 (ten) days after the date of closure of the Outdoor Cash Units.

Article 65

Closure of an overseas Branch Office, representative office, and other overseas office may only proceed with approval from the Governor of Bank Indonesia.

Article 66

- (1) Application for approval as referred to in Article 65 for a Branch Office and other operational office shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing:
 - a. the reasons for closure;
 - b. measures to be taken for settlement of all liabilities of the office to customers and other parties; and
 - c. measures to be taken to obtain approval from the authorities of the country concerned.
- (2) Application for approval as referred to in Article 65 for a representative office and other non-operational office shall be submitted by the Bank to the Governor of Bank Indonesia, enclosing the reasons for closure and measures to be taken to obtain approval from the authorities of the country concerned.
- (3) Approval or rejection of application for approval as referred to in paragraph (1) and paragraph (2) shall be issued no later than 30 (thirty) days after receipt of the complete application.

(4) Closure ...

- (4) Closure of an overseas office as referred to in paragraph (1) and paragraph (2) may only proceed after obtaining approval from the authorities of the country concerned.

Article 67

- (1) The Bank shall report the closure of a Branch Office and other operational office as referred to in Article 66 paragraph (4) to Bank Indonesia no later than 10 (ten) days after the date of closure, enclosing:
 - a. proof of settlement of liabilities to customers and other parties;
 - b. statement from the Board of Directors of the Bank, attesting that the measures for settlement of all liabilities of the office to customers and other parties have been completed and that any claims that may arise in the future shall be the responsibility of the Board of Directors on behalf of and in the name of the Bank; and
 - c. copy/photocopy of approval from the authorities in the country concerned.
- (2) The Bank shall report the closure of representative office and other non-operational office as referred to in Article 66 paragraph (4) to Bank Indonesia no later than 10 (ten) days after the date of closure, enclosing:
 - a. statement from the Board of Directors of the Bank, attesting that the measures for settlement of all liabilities of the office to other parties have been completed and that any claims that may arise in the future shall be the responsibility of the Board of Directors on behalf of and in the name of the Bank; and
 - b. copy/photocopy of approval from the authorities of the country concerned.

CHAPTER XI MISCELLANEOUS PROVISIONS

Article 68

- (1) Banks are required to duly administer:
 - a. the register of shareholders and any amendments thereto, for a Bank incorporated as a Limited Liability Company/Regional Government Enterprise; or
 - b. register of members and any amendments thereto, for a Bank incorporated as a Cooperative.
- (2) Banks listed on the capital market are required to perform the updating of the register referred to in paragraph (1) letter a.

Article 69

Bank Indonesia shall not issue approval for any application for license or approval not in accordance with the provisions, procedures, and requirements stipulated in this Bank Indonesia Regulation.

Article 70

- (1) Banks shall submit the changes in documents as referred to in Article 6 paragraph (1) letter f, letter g, and letter h, in the event of any change.
- (2) Documents as referred to in paragraph (1) shall be submitted to Bank Indonesia no later than 30 (thirty) days after the event of change.

Article 71

Banks are required to guarantee the authenticity of documents or identification issued by relevant agencies or third parties and submitted to Bank Indonesia.

CHAPTER XII ...

CHAPTER XII

TRANSITIONAL PROVISIONS

Article 72

Any application for approval submitted prior to the enactment of this Bank Indonesia Regulation shall be brought into conformity with the requirements and documents stipulated in this Bank Indonesia Regulation.

Article 73

Any Bank in operation prior to the enactment of this Bank Indonesia Regulation and not fulfilling the requirements stipulated in:

- a. Article 6 paragraph (1) letter f, letter g, and letter h;
- b. Article 6 paragraph (1) letter c number 5 and paragraph (2) letter a number 2 and/or letter b number 7;
- c. Article 6 paragraph (2) letter b number 6,
shall submit these requirements to Bank Indonesia no later than 90 (ninety) days after the enactment of this Bank Indonesia Regulation.

Article 74

Any Bank in operation prior to the enactment of this Bank Indonesia Regulation and not fulfilling the provisions stipulated in Article 23 paragraph (3) and Article 25 paragraph (1) and paragraph (3) shall bring itself into compliance with these provisions no later than one year after the issuance of this Bank Indonesia Regulation.

Article 75

Any member of a Sharia Supervisory Board who does not fulfill the requirements referred to in Article 26 shall bring him/herself into compliance

with ...

with these provisions within a period not exceeding 3 (three) years after the date of enactment of this Bank Indonesia Regulation.

Article 76

Any Sub-Branch Office and/or Cash Unit in operation prior to the enactment of this Bank Indonesia Regulation that does not fulfill the provisions referred to in Article 43 shall bring itself into compliance with these provisions within a period not exceeding one year after the issuance of this Bank Indonesia Regulation.

CHAPTER XIII

SANCTIONS

Article 77

- (1) Any Bank failing to comply with the provisions of Article 5 paragraph (2), Article 12, Article 13, Article 14, Article 15, Article 16, Article 18 paragraph (3), Article 19 paragraph (2), Article 20, Article 21, Article 22 paragraph (2), Article 23, Article 24, Article 25, Article 26, Article 27 paragraph (1), Article 28, Article 30 paragraph (1), Article 31, Article 33 paragraph (2), Article 34 paragraph (2), Article 35, Article 36, Article 37, Article 38, Article 39, Article 40, Article 42 paragraph (1), Article 43, Article 44 paragraph (1) and paragraph (2), Article 45 paragraph (1), paragraph (2) and paragraph (3), Article 46, Article 48 paragraph (1), Article 49, Article 50, Article 51, Article 52 paragraph (2) and paragraph (3), Article 53 paragraph (1), Article 54 paragraph (1), Article 55, Article 57 paragraph (1) and paragraph (2), Article 58 paragraph (1), Article 60 paragraph (4), Article 61 paragraph (1), Article 63 paragraph (1), Article 64 paragraph (1) and paragraph (2), Article 65, Article 66 paragraph (4), Article 68, Article 70 paragraph (1), Article 71, Article 74, Article 75, and

Article 76 ...

Article 76 shall be liable to administrative sanctions in accordance with Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

- (2) Any Bank failing to comply with the provisions of Article 11 paragraph (2), Article 17 paragraph (1), Article 18 paragraph (1) and paragraph (2), Article 30 paragraph (2) and paragraph (3), Article 33 paragraph (5), Article 34 paragraph (1), Article 42 paragraph (2), Article 44 paragraph (3), Article 45 paragraph (4), Article 48 paragraph (2), Article 53 paragraph (2) and paragraph (3), Article 56, Article 57 paragraph (5), Article 60 paragraph 5, Article 63 paragraph (2) and paragraph (3), Article 64 paragraph (3) and paragraph (4), Article 67 paragraph (1) and paragraph (2), Article 70 paragraph (2), and Article 73 shall be liable to administrative sanctions in accordance with Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 in the form of:
 - a. written warning and fine of Rp 1,000,000.00 (one million rupiahs) per day of delay for each report and/or announcement;
 - b. written warning and fine of Rp 30,000,000.00 (thirty million rupiahs) if the Bank fails to submit a report and/or announcement.
- (3) A Bank shall be deemed to have failed to submit a report and/or announcement as referred to in paragraph (2) letter b if the Bank has not submitted the report within 30 (thirty) days after the deadline for submission of the report and/or announcement.
- (4) Any party failing to comply with the provisions of Article 3 paragraph (1), Article 8 paragraph (2), Article 40 paragraph (1), and Article 46 paragraph (1) shall be liable to criminal penalties in accordance with Article 46 of Act

Number ...

Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

CHAPTER XIV CONCLUDING PROVISIONS

Article 78

Further provisions concerning Commercial Banks Conducting Business Based on Sharia Principles shall be stipulated in a Circular Letter of Bank Indonesia.

Article 79

With the issuance of this Bank Indonesia Regulation, Decree of the Board of Managing Directors of Bank Indonesia Number 32/34/KEP/DIR dated May 12, 1999, concerning Commercial Banks Based on Sharia Principles is revoked and declared no longer valid.

Article 80

This Bank Indonesia Regulation shall come into force on the date of its enactment.

Enacted in Jakarta
Dated: October 14, 2004

THE GOVERNOR OF BANK INDONESIA

(signed)

BURHANUDDIN ABDULLAH

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 6/24/PBI/2004
CONCERNING
COMMERCIAL BANKS CONDUCTING BUSINESS
BASED ON SHARIA PRINCIPLES

GENERAL REVIEW

In view of the rapid changes, dynamic challenges, and increasing complexity of the national economy and the ongoing integration into the international economy, it has become necessary to introduce various changes to banking policy with the expectation of improving and strengthening the resilience of the national banking system. This banking policy must be comprehensive, transparent, and provide legal certainty, and among others must address the regulation of ownership and capital, management, network expansion, and conversion of the business operations of Banks.

Under the prevailing laws and regulations, Bank Indonesia is vested with powers and responsibility to regulate the licensing and supervision of Banks and the imposition of sanctions on any Bank failing to comply with the applicable banking regulations. In exercising this power and responsibility, Bank Indonesia shall in any event take into account, among others, the factors

of Bank ...

of Bank capacity, prudential principles in Bank operations, level of fair competition, saturation level of number of banks conducting business based on sharia principles, equitable distribution of national economic development, viability of Bank business plans, and the fit and/or proper qualifications of the owners, management, and officers of Banks.

When establishing a Bank, it is necessary to have the support of strong capital resources and reputable Bank owners of sound financial standing, enabling the Bank to compete in the international banking community. This is consistent with the globalization of financial systems and the opening of market access and non-discriminatory treatment. In this regard, foreign parties are also given opportunity to participate in the ownership and management of Banks, notwithstanding taking into account the principle of partnership with national parties.

In addition to strong capital, Banks must also be supported by management, Sharia Supervisory Boards, and Bank officers who possess the capacity and competence for sound Bank management. Accordingly it is necessary to enact improved requirements for Bank management and Sharia Supervisory Boards, including but not limited to requirements concerning quality, quantity, holding of concurrent positions, and independence of managers and the Sharia Supervisory Boards by means of administrative selection and interviews. This is one of the pillars in the creation of good corporate governance in the banking community.

In addition ...

In addition, the possibility is provided for Banks to provide extended network service coverage through the opening of Sharia Services Units, notwithstanding taking into account the Bank business plan and the financial standing and capacity of the Bank. The underlying consideration is that Bank network expansion should not be detrimental to the future financial condition of the Bank, and particularly capital. Furthermore, Bank network expansion must also take into account the saturation level of number of banks conducting business based on sharia principles, level of competition among banks conducting business based on sharia principles, and equitable distribution of national economic development.

To support a transparent policy with legal certainty, the regulation of the establishment and incorporation of Banks must stipulate, among others, licensing procedures, assessment for licensing, and deadlines for issuance of approval for establishment of a Bank or offices, deadlines and reasons for refusal, and deadlines for reporting the opening of Bank activities. To provide legal certainty, it is necessary to stipulate firm and transparent sanctions for Banks and/or other parties who fail to comply with these provisions.

The requirements for submission of administrative documents, including but not limited to the business group structure, medium-term and long-term corporate plan, working manual and risk management guidelines, and the willingness of the Controlling Shareholders to resolve any funding difficulties of the Bank, shall not only apply to Banks intending to commence

operation ...

operation, but also to Banks already in operation prior to the enactment of this Bank Indonesia Regulation. This is intended as a measure by Bank Indonesia to encourage Banks to focus greater attention on prudential principles in the conduct of their business and to expedite the work of Bank supervision by Bank Indonesia.

In regard to the foregoing, it is also necessary to take account of the laws and regulations relevant to these provisions, including but not limited to the applicable laws and regulations concerning Limited Liability Companies, Regional Government Enterprises, Cooperatives, and the Capital Market, in addition to other legal provisions.

Furthermore, this Bank Indonesia Regulation has also been formulated with reference to the prevailing international practices and basic principles of bank supervision as recommended by the Basle Committee in the *25 Core Principles for Effective Banking Supervision*.

ARTICLE BY ARTICLE

Article e

Number 1 through number 14

Self-explanatory.

Article 2 ...

Article 2

Letter a

Incorporation as Limited Liability Company includes incorporation as a State Owned Company of Limited Liability (PERSERO) as referred to in the applicable laws and regulations.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Article 3

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 4

Rp 3,000,000,000,000.00 (three trillion rupiahs) paid up capital in this Article is payment made in cash other than payment in other forms as permitted under the applicable laws and regulations.

Paid up capital for a Bank incorporated as a Cooperative consists of principal savings, mandatory savings, and endowments as stipulated in the Act concerning Cooperatives.

Article 5

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 6

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Number 1 through number 6

Self-explanatory.

Number 7

“Date of application” is defined as the date at which the proposed owners submit the application for establishment of the Bank.

Number 8 through number 9

Self-explanatory.

Number 10 ...

Number 10

The understanding of other institution in this paragraph does not include Banking Associations.

Number 11

The understanding of other institution in this paragraph does not include Banking Associations.

Number 12 through number 14

Self-explanatory.

Letter d

Composition and structure of organization and personnel includes but is not limited to the organizational chart, horizontal and vertical lines of responsibility, and the positions and names of personnel at least to the level of Executive Officer.

Letter e

Number 1

Supporting data is data used in the calculations/ analyses of the feasibility study as issued by the competent authorities.

Number 2 through number 3

Self-explanatory

Letter f ...

Letter f

The scope of the corporate plan includes but is not limited to the strategic plan of the Bank for achieving the goal of the Bank in the medium-term (three years) and long-term (five years).

Letter g

Risk management guidelines include but are not limited to techniques and methods used by a Bank to identify, measure, monitor, and control risks arising in consequence to the operations of the Bank. The risk management guidelines shall not only be based on historical data, but must also cover projected future risk (forward looking).

Letter h

Systems and working procedures include a complete and comprehensive manual used in the operations of the Bank.

Letter i

If the Bank is established by the Government, the provisions concerning proof of payment of capital and procedure for payment of capital shall be applied in accordance with the applicable laws and regulations.

Letter j ...

Letter j

If a proposed shareholder of a Bank is incorporated as a legal entity, the personal statement shall be made and submitted by the management duly authorized to represent that legal entity.

Number 1

“Other party” is defined as including but not limited to non-bank financial institution, finance institution, or company.

Not included in the definition of other party is the Central Government, Regional Government, or Special Agency as referred to in Article 37A of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

Number 2

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Number 1 through number 5

Self-explanatory.

Number 6 ...

Number 6

“Business group” is defined as:

- a. natural person and legal entity;
- b. several natural persons; or
- c. several legal entities,

having management, ownership, or financial ties as stipulated in the Bank Indonesia Regulation concerning the Legal Lending Limit.

The requirement to submit data on the business group structure shall be waived if the owner of the Bank is the Central Government, Regional Government, or Special Agency as referred to in Article 37A of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

If there is any other owner, the requirement for submission of the business group structure shall apply to that owner.

Number 7

Personal statements from Controlling Shareholders incorporated as legal entities shall be made and submitted by management duly authorized to represent the legal entities concerned.

If the ...

If the Bank comprises part of the holdings of a business group, the personal statements shall be submitted by the parties that in the opinion of Bank Indonesia exercise control, whether directly or indirectly, of the entire business group.

The requirement for submission of personal statements in this Letter shall be waived if the Controlling Shareholder is the Central Government, a Regional Government, or Special Agency as referred to in Article 37A of Act Number 7 of 1992 as amended by Act Number 10 of 1998.

Article 7

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct an examination to verify the integrity of documents.

Letter b

Self-explanatory.

Letter c

Interviews shall be conducted for persons:

a. never ...

- a. never previously employed and/or never previously Controlling Shareholders in a banking institution; or
- b. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

The scope of the interview shall include matters in regard to integrity and/or competence.

If the proposed Controlling Shareholders of the Bank are incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If the Bank comprises part of the holdings of a business group, the interviews of the proposed Controlling Shareholders shall be conducted for parties that in the opinion of Bank Indonesia exercise control, whether directly or indirectly, of the entire business group.

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there ...

If there is no proposed Controlling Shareholder, an interview shall be conducted for a particular proposed founding shareholder at the discretion of Bank Indonesia.

Paragraph (3)

Self-explanatory.

Article 8

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 9

Letter a through letter d

Self-explanatory.

Letter e

If the Bank is established by the Government, the provisions concerning proof of payment of capital and procedure for payment of capital shall be applied in accordance with the applicable laws and regulations.

Letter f

Self-explanatory.

Letter g ...

Letter g

If a proposed shareholder of a Bank is incorporated as a legal entity, the personal statement shall be made and submitted by the management duly authorized to represent that legal entity.

Number 1

“Other party” is defined as including but not limited to non-bank financial institution, finance institution, or company.

Not included in the understanding of other party is the Central Government, Regional Government, or Special Agency as referred to in Article 37A of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

Number 2

Self-explanatory.

Article 10

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct examination to verify the integrity of documents.

Letter b ...

Letter b

Interviews shall be conducted for persons:

- a. never previously employed and/or never previously Controlling Shareholders in a banking institution; or
- b. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

The scope of the interview shall include matters in regard to integrity and/or competence.

If the proposed Controlling Shareholders of the Bank are incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If the Bank comprises part of the holdings of a business group, the interviews of the proposed Controlling Shareholders shall be conducted for parties that in the opinion of Bank Indonesia exercise control, whether directly or indirectly, of the entire business group.

If ...

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there is no proposed Controlling Shareholder, an interview shall be conducted for a particular proposed founding shareholder at the discretion of Bank Indonesia.

Article 11

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 12

Self-explanatory.

Article 13

Paragraph (1)

“Net worth” is defined as:

- a. the sum of paid up capital, reserves and profit, subtracted by equity participation and loss, for a legal entity incorporated as a Limited Liability Company/Regional Government Enterprise; or

b. the sum ...

- b. the sum of principal savings, mandatory savings, endowments, equity participation and reserves, and balance of operating results, subtracted by equity participation and loss, for a legal entity incorporated as a Cooperative.

Paragraph (2)

Self-explanatory.

Article 14

Letter a

The provisions in this letter shall be waived if the owner of the Bank is the Central Government, Regional Government, or Special Agency as referred to in Article 37A of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

“Other party” is defined as including but not limited to non-bank financial institution, finance institution, or company.

Not included in the understanding of other party is the Central Government, Regional Government, or Special Agency as referred to in Article 37A of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

Letter b

Self-explanatory.

Article 15 ...

Article 15

Paragraph (1)

Self-explanatory.

Paragraph (2)

Parties deemed to possess high integrity are parties awarded a passing grade or qualified passing grade in the fit and proper test conducted by Bank Indonesia or disqualified parties who are notwithstanding approved by Bank Indonesia to be reinstated as Controlling Shareholders, increase their ownership, or be reinstated as owners as stipulated in the applicable Bank Indonesia provisions concerning the Fit and Proper Test.

Paragraph (3)

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Paragraph (1)

Self-explanatory.

Paragraph (2)

“Change of composition of ownership” in this paragraph is defined as change in regard to actual amount and/or percentage of ownership.

Paragraph (3) ...

Paragraph (3)

Change in composition of ownership without change in paid up capital includes but is not limited to change brought about by endowment or inheritance of shares among existing owners.

Article 18

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The applicable laws and regulations include the applicable financial accounting standards for that transaction.

Article 19

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory.

Article 20

Paragraph (1)

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

Parties deemed to possess high integrity are parties awarded a passing grade or qualified passing grade in the fit and proper test conducted by Bank Indonesia or disqualified parties who are notwithstanding approved by Bank Indonesia to be reinstated as managers, as stipulated in the applicable Bank Indonesia provisions concerning the Fit and Proper Test.

Article 21

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

“Sharia mu’amalah” is defined as social relationships, including business activities, that are consistent with or based on sharia principles.

Paragraph (4)

Self-explanatory.

Article 22

Paragraph (1)

“Foreign party” in this paragraph are defined as a foreign citizen and/or foreign legal entity.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Article 23

Paragraph (1)

Self-explanatory.

Paragraph (2)

“Majority” is defined as more than 50% (fifty percent) of the total number of members of the Board of Directors.

Paragraph (3)

Assessment of independence shall be based on the ties of the person concerned with the management, ownership, and/or financial links with all business groups of the Controlling Shareholders.

The understanding of Managing Director includes, but is not limited to, President Director or equivalent position.

Article 24

Paragraph (1)

Family ties to the second degree are ties by vertical and horizontal lines of descent, including parents-in-law, son/daughter-in-law, and brother/sister-in-law, so that relatives are defined as follows:

1. natural parent/stepparent/parent by adoption;

2. natural ...

2. natural brother or sister/half-brother or half-sister/brother or sister by adoption;
3. husband/wife;
4. natural child/stepchild/child by adoption;
5. husband/wife of natural child/stepchild/child by adoption;
6. natural grandparent/step-grandparent/grandparent by adoption;
7. natural grandchild/step-grandchild/grandchild by adoption;
8. natural brother or sister/half-brother or half-sister/brother or sister by adoption of husband/wife;
9. husband/wife of natural brother or sister/half-brother or half-sister/brother or sister by adoption;
10. natural uncle or aunt/step-uncle or step-aunt/uncle or aunt by adoption;
11. parents-in-law.

Paragraph (2)

Family ties to the second degree are ties by vertical and horizontal lines of descent, including parents-in-law, son/daughter-in-law, and brother/sister-in-law, so that relatives are defined as follows:

1. natural parent/stepparent/parent by adoption;

2. natural brother or sister/half-brother or half-sister/brother or sister by adoption;
3. husband/wife;
4. natural child/stepchild/child by adoption;
5. husband/wife of natural child/stepchild/child by adoption;
6. natural grandparent/step-grandparent/grandparent by adoption;
7. natural grandchild/step-grandchild/grandchild by adoption;
8. natural brother or sister/half-brother or half-sister/brother or sister by adoption of husband/wife;
9. husband/wife of natural brother or sister/half-brother or half-sister/brother or sister by adoption;
10. natural uncle or aunt/step-uncle or step-aunt/uncle or aunt by adoption;
11. parents-in-law.

Paragraph (3)

The provisions in this paragraph are intended so that each member of the Board of Directors does not engage in activities that may interfere with the performance of their tasks and responsibilities as Board of Directors of the Bank.

The understanding of other institution in this paragraph does not include Banking Associations.

Paragraph (4) ...

Paragraph (4)

“Other company” is defined as including but not limited to other companies outside the Bank concerned, such as bank and non-bank financial institutions, finance companies, or companies.

Paragraph (5)

“Other party” is defined as one or more employees or other persons performing certain legal acts on behalf of and in the name of the Board of Directors.

Article 25

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Assessment of independence shall be based on the ties of the person concerned with the management, ownership, and/or financial links with all business groups of the Controlling Shareholders.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6) ...

Paragraph (6)

Family ties to the second degree are relatives by vertical and horizontal lines of descent, including parents-in-law, son/daughter-in-law, and brother/sister-in-law, so that family ties are defined as follows:

1. natural parent/stepparent/parent by adoption;
2. natural brother or sister/half-brother or half-sister/brother or sister by adoption;
3. husband/wife;
4. natural child/stepchild/child by adoption;
5. husband/wife of natural child/stepchild/child by adoption;
6. natural grandparent/step-grandparent/grandparent by adoption;
7. natural grandchild/step-grandchild/grandchild by adoption;
8. natural brother or sister/half-brother or half-sister/brother or sister by adoption of husband/wife;
9. husband/wife of natural brother or sister/half-brother or half-sister/brother or sister by adoption;
10. natural uncle or aunt/step-uncle or step-aunt/uncle or aunt by adoption;
11. parents-in-law.

“Majority” is defined as more than 50% (fifty percent) of the total members of the Board of Commissioners.

Article 26

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 27

Paragraph (1)

In performing its duties, the Sharia Supervisory Board may request documents and explanations directly from Bank units and participate in internal deliberations, including the deliberations of the financing committee.

Paragraph (2)

Self-explanatory.

Article 28 ...

Article 28

Paragraph (1)

This provision shall also apply to the transfer of any member of the Board of Directors to the Board of Commissioners or vice versa.

In the specific case of a member of the Board of Directors of the Bank serving as compliance director, the procedure for approval of that member of the Board of Directors shall also be guided by the Bank Indonesia provisions concerning the Compliance Director and Standard Practices for the Bank Internal Audit Function.

Paragraph (2)

“Guided by the applicable laws and regulations” is defined as including but is not limited to guidance from the provisions in the law concerning Limited Liability Companies that stipulate that any designation of candidates to the Board of Commissioners or Board of Directors shall be made by and with the knowledge of the general meeting of shareholders or meeting of members or at least by and with the knowledge of the Controlling Shareholders.

Article 29

Paragraph (1)

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Interviews shall be conducted for persons:

- a. never previously employed in a banking institution;
or
- b. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

The scope of the interview shall include matters in regard to integrity and/or competence.

Paragraph (3)

Self-explanatory.

Article 30

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

“Effective date of appointment” is defined as the time that the person concerned effectively took up the position.

Article 31

Self-explanatory.

Article 32

Paragraph (1)

In designating a candidate for the Sharia Supervisory Board to be submitted to Bank Indonesia, the Bank shall coordinate actions with the National Sharia Council.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Letter a

Self-explanatory.

Letter b

Interviews shall be conducted for persons:

- a. never previously employed in a banking institution; or
- b. previously employed in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

The scope of the interview shall include matters in regard to integrity and/or competence.

Article 33

Paragraph (1)

Self-explanatory.

Paragraph (2)

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

“Effective date of appointment’ is defined as the time that the person concerned effectively took up the position no later than 30 days after issuance of the letter of approval by Bank Indonesia.

Article 34

Paragraph (1)

“Effective date of appointment’ is defined as the time that the person concerned effectively took up the position.

Paragraph (2)

Assessment and examination by Bank Indonesia is not intended to delay appointment or replacement of an Executive Officer or Branch Office manager.

Article 35

“Conflict of interest” is defined as including but not limited to any difference of economic interests between a Bank and the personal economic interests of the owners, members of the Board of Directors,

members ...

members of the Board of Commissioners, members of the Sharia Supervisory Board, Executive Officers, Branch Office managers, and/or other related parties of the Bank.

The provisions in this Article are essentially intended to ensure that members of the Board of Directors, Board of Commissioners, Sharia Supervisory Board, Executive Officers, and Branch Office managers refrain from making any decisions in any situation and condition of conflict of interest.

Article 36

“Sharia principles” are defined as are contractual terms between the bank and another party, based on Islamic law, for deposit of funds and/or financing of business activities or other activities determined to be in compliance with Sharia law.

Article 37

Paragraph (1)

Letter a

“Foreign exchange activities based on the *sharf* principle” are defined as money changer activities.

Letter b

Self-explanatory.

Letter c ...

Letter c

The Bank Indonesia legal provisions concerning Equity Participation.

Letter d

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 38

Paragraph (1)

Self-explanatory.

Paragraph (2)

The National Sharia Council may coordinate actions with Bank Indonesia concerning the issuance of fatwas concerning new products and services.

Article 39

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 40

Paragraph (1)

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

A Bank may only open a Branch Office for business in accordance with the confirmation issued by Bank Indonesia for the annual business plan of the Bank insofar as no material change has taken place in financial condition between the business plan and the outcome of the business plan at the time of opening of the office, including but not limited to material reduction in Bank capital.

Article 41

Paragraph (1)

Letter a

Self-explanatory.

Letter b

If the Bank is to use leased office premises, a memorandum of understanding for leasing of office premises may temporarily serve as the document for planned preparations for operations of the office building. The lease agreement shall be submitted at the time that the Bank reports the opening of the office for business.

Letter c through letter e

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 42

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 43

Paragraph (1)

A Bank may only operate Sub-Branch Offices/Units in accordance with the confirmation issued by Bank Indonesia for the annual business plan of the Bank insofar as no material change has taken place between the business plan and the outcome of the business plan in regard to financial condition at the time of opening of the offices, including but not limited to any material reduction in Bank capital.

Paragraph (2) ...

Paragraph (2)

Letter a and letter b

Self-explanatory

Letter c

“Human resources of the Bank itself” is defined as employees of the Bank based on an employment agreement made for a specific period and/or for an indefinite period pursuant to the applicable labor laws and regulations, and those with responsibility for operational activities at the Bank office.

Paragraph (3)

Letter a through letter c

Self-explanatory.

Letter d

“Use of the human resources of the bank itself” is defined as referred to in the Elucidation to paragraph (2).

Letter e

Self-explanatory.

Paragraph (4)

“Another office” is defined as another bank or another company.

Paragraph (5)

Self-explanatory.

Article 44

Paragraph (1)

Self-explanatory.

Paragraph (2)

The applicable provisions of the Act concerning Banking require any opening of a Sub-Branch Office/Unit to be reported in advance to Bank Indonesia, but confirmation from Bank Indonesia shall notwithstanding be required given that under the Act concerning Banking, Bank Indonesia will also conduct an assessment of the saturation level of number of banks conducting business based on sharia principles, level of competition among Banks conducting business based on sharia principles, ~~Act~~ and equitable distribution of national economic development.

Paragraph (3)

Self-explanatory.

Article 45

Paragraph (1)

Not included as Outdoor Cash Unit are exhibitions conducted for the purpose of promotion, not permanently established, and not conducting cash activities.

A Bank may only operate Outdoor Cash Units in accordance with the confirmation issued by Bank Indonesia for the annual

business ...

business plan of the Bank insofar as no material change has taken place between the business plan and the outcome of the business plan in regard to financial condition at the time of opening of the Outdoor Cash Units, including but not limited to any material reduction in Bank capital.

Paragraph (2)

The reporting requirement shall apply only once for the initial application for the Outdoor Cash Unit for the particular location.

Paragraph (3)

The applicable provisions of the Act concerning Banking require any opening of a Sub-Branch Office/Unit to be reported in advance to Bank Indonesia, but confirmation from Bank Indonesia shall notwithstanding be required given that under the Act concerning Banking, Bank Indonesia will also conduct an assessment of the saturation level of number of banks, level of competition among Banks, and equitable distribution of national economic development.

Paragraph (4)

Self-explanatory.

Article 46

Paragraph (1)

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Article 47

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 48

Paragraph (1)

Application for approval shall be submitted to the authority of the country concerned after approval is issued by Bank Indonesia.

Paragraph (2)

Self-explanatory.

Article 49

Paragraph (1)

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

Upgrading in this paragraph includes but is not limited to upgrading from Mobile Cash Unit to Sub-Branch Office/Unit.

Article 50

Paragraph (1)

Self-explanatory.

Paragraph (2)

Downgrading of Sub-Branch Office/Unit in this paragraph includes but is not limited to downgrading from Sub-Branch Office/Unit to Mobile Cash Unit.

Article 51

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 52

Paragraph (1)

Letter a

If the Bank is to use leased office premises, a memorandum of understanding for leasing of office premises may temporarily serve as the document for planned preparations for operations of the office building.

The ...

The lease agreement shall be submitted at the time that the Bank reports the opening of the office for business.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

If the Bank intends to move its head office to a new location and the former location is to be used as a Branch Office, the change of address of the head office shall comply with the provisions in this paragraph while in the case of the Branch Office at the former location, the change of address shall comply with the provisions for establishment of Branch Office as referred to in Article 40, Article 41, and Article 42.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Article 53

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 54

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

If the Bank is to use leased office premises, a memorandum of understanding for leasing of office premises may temporarily serve as the document for planned preparations for operations of the office building. The lease agreement shall be submitted at the time that the Bank reports the opening of the office for business.

Letter b and letter c

Self-explanatory.

Article 55

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The applicable provisions of the Act concerning Banking require any opening of Sub-Branch Offices/Units to be reported in advance to Bank Indonesia, but confirmation from Bank Indonesia shall notwithstanding be required given that under the Act concerning Banking, Bank Indonesia will also conduct an assessment of the saturation level of number of banks conducting business based on sharia principles, level of competition among Banks conducting business based on sharia principles, and equitable distribution of national economic development.

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 57

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 58

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 59

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct examination to verify the integrity of documents.

Letter b

Interviews shall be conducted for persons:

- a. never previously employed and/or never previously Controlling Shareholders in a banking institution; or
- b. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

The scope of the interview shall include matters in regard to integrity and/or competence.

If the proposed Controlling Shareholders of a Bank are incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If the Bank comprises part of the holdings of a business group, the interviews of the proposed Controlling Shareholders shall be conducted for parties that in the

opinion of Bank Indonesia exercise control, whether directly or indirectly, of the entire business group.

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there is no proposed Controlling Shareholder, an interview shall be conducted for a particular proposed founding shareholder at the discretion of Bank Indonesia.

Paragraph (3)

Self-explanatory.

Article 60

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

If necessary, Bank Indonesia may conduct examination to verify the integrity of documents.

Letter b

Interviews shall be conducted for persons:

- a. never previously employed and/or never previously Controlling Shareholders in a banking institution; or

b. previously ...

- b. previously employed and/or previously Controlling Shareholders in a banking institution but for whom further information is required concerning the integrity and/or competence of the person concerned.

The scope of the interview shall include matters in regard to integrity and/or competence.

If the proposed Controlling Shareholders of the Bank are incorporated as a legal entity or foundation, the interviews shall be conducted for the members of the executive board of the legal entity or foundation, or officers empowered to represent the legal entity or foundation concerned.

If the Bank comprises part of the holdings of a business group, the interviews of the proposed Controlling Shareholders shall be conducted for parties that in the opinion of Bank Indonesia exercise control, whether directly or indirectly, of the entire business group.

If the proposed Controlling Shareholder is the Central Government or Regional Government, no interview shall be conducted for the proposed Controlling Shareholder.

If there is no proposed Controlling Shareholder, an interview shall be conducted for a particular proposed founding shareholder at the discretion of Bank Indonesia.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 61

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 62

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Liabilities to customers and other parties may be settled, among others, by transfer of all liabilities to another Bank office or other party, with the consent of the customers or other parties.

Proof of settlement of liabilities to customers shall consist of the balance sheet of the Branch Office, indicating that

all ...

all liabilities of the Branch Office to customers and other parties are duly settled.

Letter b

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 63

Paragraph (1)

“Date of approval for closure” in this paragraph is defined as the date of the plan for closure approved by Bank Indonesia.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 64

Paragraph (1)

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Paragraph (3)

Letter a

Liabilities to customers and other parties may be settled, among others, by transfer of all liabilities to another Bank office or other party, with the consent of the customers or other parties.

Proof of settlement of liabilities to customers shall consist of the balance sheet of the Sub-Branch Office/Unit, indicating that all liabilities of the Sub-Branch Office/Unit to customers and other parties are duly settled.

Letter b

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 65

Self-explanatory.

Article 66

Paragraph (1)

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Application for approval shall be submitted to the authorities of the country concerned after approval is issued by Bank Indonesia.

Article 67

Paragraph (1)

Letter a

Liabilities to customers and other parties may be settled, among others, by transfer of all liabilities to another Bank office or other party, with the consent of the customers or other parties.

Proof of settlement of liabilities to customers shall consist of the balance sheet of the Branch Office and other operational office, indicating that all liabilities of the Branch Office and other operational office to customers and other parties are duly settled.

Letter b through letter c

Self-explanatory.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Article 68

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 69

Self-explanatory.

Article 70

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 71

Self-explanatory.

Article 72

Self-explanatory.

Article 73

Self-explanatory.

Article 74

Self-explanatory.

Article 75 ...

Article 75

Self-explanatory.

Article 76

Self-explanatory.

Article 77

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

The amount of the financial penalty shall be calculated on the basis of reports not submitted.

If a Bank is awarded sanctions for failure to submit a report, it shall no longer be awarded sanctions for late reporting.

Paragraph (3)

Submission of reports shall include the required data, information, and documents.

Paragraph (4)

Self-explanatory.

Article 78

Self-explanatory.

Article 79

Self-explanatory.

Article 80

Self-explanatory.